

GOVERNOR'S MESSAGE.

Gentlemen of the Senate,

and of the House of Representatives:

We have cause of deep thankfulness to a beneficent Providence, that during the past year we have been permitted, within the limits of our own beloved State, to enjoy the blessings of civil and religious liberty, unmolested by the hand of misguided zeal or lawless violence—that the sacred right of worshipping Almighty God, according to the dictates of conscience, so justly conceded to each and every individual by the constitution, has, in practice, been scrupulously respected—that the benefits of education have been increased and extended in its various departments—that peace, morality, and good order have prevailed, the supremacy of the laws been acknowledged, and the mild influence of religion felt far and near.

The annual meeting of the Representatives of the State, to whose hands are temporarily committed the great and varied interests and well being of a confiding people, is, in itself, well calculated to awaken that deep sense of responsibility which, it is confidently trusted, will ensure wisdom and prudence in your councils, and eventuate in the public good.

As the public statutes of the State have recently undergone a thorough revision, and at great expense, the hope is indulged, that but few subjects of a general nature will, at this time, require your consideration. All legislation, but especially that which is general in its bearing, should be exercised with great care and deliberation, and (except in palpable cases) should be tested by time and experience, before resort is had to modification or repeal.

The ordinary expenses of the Government, for the fiscal year ending with the 31st day of October last, were \$93,368 73, as will be shown by the report of the Treasurer, which he will shortly lay before you. Of this sum, however, I am authorized to state, that more than \$17,000 were on account of stationery for the Revised Statutes of 1843, for printing and distributing the same, and for compensation of the revisors; and the same is therefore justly chargeable to the expenditures of former years. A considerable portion, also, of the expenses of the contingent fund, included in the first named sum, accrued during the year 1843, although audited and paid during the present year. By the same report it will be seen, that under a law of the Legislature, the Treasurer effected a loan from the Michigan City, Vincennes, and Fort Wayne branches of the State Bank, to enable him to meet the expenses of the State. Provision, by law, was made at the same session, which, it was trusted, would ensure the faithful paying over to the Treasury, by the Collectors, the same currency by them received for State revenue; and as by the partial absorption of the Treasury notes in circulation, which are receivable for taxes, they had considerably increased in value, a hope was, and yet is entertained, that an amount of bankable funds will thus be collected, sufficient to meet the loan referred to, at maturity. But as these officers are, by the present law, not required to pay into the treasury the amount due for State Revenue, before the fourth Monday in February, it is earnestly submitted whether early provision should not be made to meet any unforeseen contingency in reference to this debt, as well as to defray the ordinary expenses of the ensuing year.

The auditor in his report herewith submitted, estimates the sum necessary for the ordinary expenses of the current fiscal year, at \$67,950. In this statement, however, it should be observed, he does not include any estimate of unaudited claims due before the 31st of October last,—the State-house,—the new State Prison, nor the restitution of trust funds, which, as I am informed by him, had been, in the exigencies of the public service, paid out from the treasury in former years without appropriation.

The subject of our State debt is of primary importance, and demands our attention. On consulting the best sources of information, the following, it is believed, is a correct statement of the nature and present amount of all claims against us, with perhaps, a few unimportant variations:

Funded Debt.

On account of Wabash and Erie Canal, -	\$1,727,000
Internal improvements, (proper,) -	8,900,000
Bank, -	2,413,000
Madison and Indianapolis Rail-road, -	456,000
Lafayetteburgh and Indianapolis Rail-road, -	221,000
Surplus Revenue, -	291,000
Interest and to redeem Treasury Notes, -	1,100,000

\$15,111,000

Of these there have been redeemed and cancelled in Bonds, - - - - - 1,829,000

There were cancelled without being put into circulation of the \$1,100,000, being 7 per cent. Bonds, - - - - - 1,061,000

2,893,000

Outstanding, - - - - - \$12,218,000

Of these the bank regularly pays the interest on - - - - - 1,350,000

Leaving - - - - - \$10,828,000

On which no interest is paid, and no provision is made for its payment.

Of this sum, 100,000 dollars bears 6 per cent. interest—\$10,692,000, 5 per cent. interest, and \$26,000, 7 per cent. interest.

The annual interest, therefore, on the funded debt, (exclusive of what is paid by the bank,) is on \$100,000 at 6 per cent., - - - - - \$6,000
\$36,000 at 7 per cent., - - - - - 2,520
10,692,000 at 5 per cent., - - - - - 534,600

\$543,120

The Domestic or Unfunded Debt may be stated as follows:

Six per cent. Treasury Notes outstanding, -	\$677,600
Interest thereon to 1st Jan. 1845, -	170,000
Five per cent. Treasury Notes outstanding, -	513,000
Interest from, say 1st June 1842, to 1st January, 1845, -	66,262
Borrowed of Michigan City Bank, -	40,000
Vincennes Bank, -	10,000
Fort Wayne Bank, -	6,000
Quarter per cent. Treasury Notes, outstanding, -	39,000

\$1,521,262

To this may be added the loans by the former operations of the Treasury, from various trust funds; which should be replaced as speedily as possible, particularly the amount borrowed from the 3 per cent. Fund,—that being much needed and loudly called for by the various counties to which it belongs.

In this state of our affairs and preparatory to action on the subject, it behooves us, to carefully survey the whole ground, and note the obstacles which beset our path.

It is far more difficult to pay the interest on a foreign, than on a domestic debt. In the former case, there is an annual drain of the precious metals, which directly (and under the present banking system, to a far greater extent, indirectly,) diminishes the circulation of the country. In the latter case the interest is paid to citizens residing in the same country, in the local currency,—it still remains in the same community, and no material diminution in the circulation is occasioned.

The government of Great Britain would be crushed under the weight of its immense debt, were it not due to its own subjects. Their onerous taxes could not be borne, if they were not, simultaneously received from, and paid out to persons inhabiting the same country. A constant drain of specie cannot be long sustained by any country, unless the vacuum thereby occasioned, is from time to time replenished by the exportation of industrial products.

The same is true of our foreign commerce. Cash payments for balances in favor of imports would, if continued, shortly drain the whole country of specie. Before that time would arrive, however, the greater cheapness of the staples, arising from the accumulation at home, and the scarcity of money caused by its being sent abroad, would occasion the former to be exchanged for the latter, and the equilibrium would be restored. The comparatively small amount of specie brought into the United States, by immigration, or produced from our mines, can not be relied on for restoring these balances, in as much as it scarcely keeps pace with the rapid growth of our population, as compared with that of most other countries. The balance of the trade of the United States may at times be unfavorable. But in that case it will soon be restored by a corresponding amount of exports. For, if it is at once restored by cash payments, still there must be an excess of exports afterwards, to supply the loss of currency occasioned by such payments, which amounts to the same thing. Thus, while our own commercial history shows these vibrations in trade, it also establishes the fact that the average exports and imports of the United States are equal.

The apparent balances against us, while many of the States were engaged in making loans from abroad, for objects of improvement, and other purposes, arose from the fact that the far greater part of these loans passed through our custom houses in the shape of goods, into which they had been converted in Europe. These loans of the indebted States amount to above \$200,000,000 and it is manifest from what has been said, that this large balance when paid, with its accruing interest, must be met, directly or indirectly—sooner or later—by the increased exportation of our agricultural and other staple products.

If the foregoing views are correct, the discharge of our foreign indebtedness will be more or less onerous, according as the tariff policy adopted by the general government, is more or less restricted. Indiana is now almost destitute of a currency, because there has been a constant drain upon it, to pay our large balances due to the eastern cities. To supply this deficiency, we must have a ready and profitable sale of our agricultural productions. A common argument in favor of the restrictive system, is, that it furnishes a home market for the farmer. But a reference to the returns in the last census, demonstrates that the agricultural productions of the United States far exceed any domestic demand for consumption. And they would be still greater, if the industry and enterprise of the farmer, were stimulated by remunerating prices. The manufacturing States, are themselves, largely agricultural. What they lack in supplying the demand within their own limits collectively, could be easily furnished by a single western State. Where then are the other agricultural States to find a market for their surplus? Or, should there be an increase of manufacturers, sufficient to consume the surplus produce of the whole country, where would their fabrics find a market? "At home, the demand would bear no proportion to the supply," and (if the doctrine of the restrictionists themselves is correct) "abroad, others would undersell."

The wealth of a country consists in the products of labor, in its largest sense. The aggregate of this wealth cannot be increased by legislation; it is limited by the number, strength, industry, and skill of those engaged in its acquisition. Any legislation, therefore, that gives certain individuals in the community, higher prices for their products than they could ordinarily get in the natural course of trade, or, in other words, bestows upon them more than their share of the aggregate wealth created by the joint efforts of all, must do it at the expense of the others. We have an illustration of this truth in the operation of the existing "protective system," as it is styled by its advocates. We are now paying increased prices for fabrics of the large manufactories, which are consequently dividing exorbitant profits, many of them from 10 to 30 per cent., on their investments. And yet the prices of western produce, our almost exclusive reliance for meeting this large and increasing drain on our means, are at the lowest ebb. We need a system that will "protect" as equally as practicable, the industry of the farmer and small mechanic as well as that of the wealthy capitalist. The question is not, whether duties on foreign goods shall be abolished, but what shall be their extent? Any amount of duty operates as a corresponding protection to the large manufacturer of the rival domestic article, who, therefore, under this system, must always have an advantage to that extent over the labor of the farmer. And ought he not to be satisfied with this advantage when created by duties sufficient for a reasonable revenue?

It has not been proposed in Congress to reduce the tariff duties below those established under the administrations of Washington, Jefferson or Madison. On the contrary, a willingness has been manifested to go beyond them, if found necessary, for the economical expenditure of the government.

Many advocates of the so called "protective" policy profess to be in favor of a system limited to the fiscal necessities of the country, or as it is usually termed, a Revenue Tariff. But under the existing tariff regulations, we find that the revenue will largely exceed the legitimate wants of the Treasury. This not only tempts to lavish prodigality on the part of government, but it operates as an oppressive tax on western labor. Its effect is the greater or less exclusion of imports, which, as has been shown, must limit the amount of our exports to a corresponding extent. This results directly as a twofold injury to the farmer, for, by the exclusion of foreign manufactures the demand for and prices of the domestic article which he is compelled to purchase, is increased, while the demand for the produce of his own labor, thus accumulated at home, is limited and the price consequently diminished.

The most thorough conviction is felt, that our embarrassments must, to a greater or less extent, be aggravated, while such a system continues to exist.

The great mass of our fellow citizens, I will not suffer myself to doubt, are willing—nay, anxious—to meet all our just obligations. With them it is not a question of inclination but of ability. But the extent of the debt, the actual condition, and means of the State, and a more thorough examination of the whole subject, have only served to confirm me in the opinion I expressed on a former occasion, that it is beyond our power to meet our liabilities. Indeed, so far as my observation has extended, the opinion advanced by my predecessor in his last annual message "that we cannot now pay the interest on our public debt" is universally entertained among the people of the State.

Since the last adjournment, I have received a communication from Boston, enclosing a memorial from sundry of our bondholders in London. It was only competent for me to acknowledge its receipt, express my individual opinion as to the ability of the State to meet their claims, and engage to lay the memorial before the General Assembly, which is accordingly done.

Under all the circumstances, I would recommend that provision be made by law for the appointment of one or more commissioners, to receive any such communications as may be hereafter addressed to the authorities of the State, in reference to this matter, in the hope of making an arrangement as to all our just debts, which, while it will bring the subject within our means, will save the honor of the State, and be satisfactory to our creditors. Such an arrangement should, of course, not be binding until ratified by the Legislature, or what is perhaps better, until confirmed by a direct vote of the people. The latter, it is understood, was the course adopted by Michigan in relation to a portion of her debt, and that the arrangement was duly ratified at the polls by her citizens.

Few among us, I hope, would be found willing to repudiate any just claim against the State, and I have great confidence that if in the manner proposed, a plan for extinguishing the debt is matured and agreed upon,—one which in terms will be feasible and clearly brought within the ability of the State to meet, that an appeal to the moral sense of the citizen for his approval at the ballot box, will not be made in vain.

The settlement of this question would infuse more of confidence throughout the community, would improve the credit of our citizens individually, would encourage immigration and hasten the improvement of the country. Our creditors, too, when thoroughly informed of our condition, and the extent of our means, will, it is hoped, see their own interest in an early adjustment of this matter, before the present anxiety of the people to discharge the debt is succeeded by apathy and despair.

In some of the indebted States the payment of their foreign liabilities, by a sale of their public works, has been agitated. In favor of this policy in our own State, it has been urged by some that our creditors advanced the loans, not on the ability of the State to make payment with its disproportionate resources, with which they must have first made themselves acquainted, but on the expected productiveness of the works for the construction of which the loans were made—that they could be finished more cheaply and speedily by individual enterprise than by government—that when completed they would be equally as profitable to the purchasers as to the State, if she were the proprietor; and that they could make payment for them at the cost of construction, in our depreciated bonds at par. On the other hand the advantage to the State by the adoption of such a measure, it has been suggested, would be, that these works would thus speedily be completed, which otherwise it would be impossible for the State with her present means and credit to finish—that the benefit to our citizens would, in that case, be as great as though the works were constructed by the State—that the progress of the works would give employment to our labor and a market for our produce, and finally, that our State debt would thus be proportionally absorbed. Provision might be made to limit the sales to the unfinished works, to prevent the exaction of extravagant tolls and charges, and that the works themselves should ultimately revert to and be the property of the State. Other restrictions might be added if found necessary for the rights of the respective parties.

I am aware that by an act of our Legislature of 1842, the privilege was extended to our creditors to purchase from the State all or any part of these works without restriction, making payment therefor in our bonds at their face. Although no bonds have been received in this way, it may have arisen from the fact, that it not only requires the joint action of a considerable number of our bondholders to make such an undertaking feasible or profitable, but they might desire further legislative action to secure their rights.

Power might also be conferred on the same Commissioners to negotiate with our creditors in relation to the latter mode, subject in like manner to the ratification of the People, if the Legislature on a full examination of the whole ground, shall deem it advisable.

By the adoption of some such measure for receiving overtures from, and negotiating with, our creditors, preliminary to a final adjustment of the whole matter, we shall give stronger evidence of that sincere desire, which I am satisfied is felt among us generally, to restore the honor and credit of the State and of its citizens, than by vague and general professions against repudiation.

By the accompanying report of the Adjutant General it will be seen, that under existing laws, no returns of the strength of the militia of the State have been received, and that in consequence we have been drawing our quota of public arms from the General Government ever since the year 1832, on the basis of the report then made of our military strength to the War Department. That quota is estimated at the yearly value of \$5,220.00, and as our population has more than doubled since that period, the past annual value, had we the means of reporting our strength, would amount to at least \$10,640.00. Besides the loss already sustained on this account since 1832, it will be seen that in the ensuing ten years it would amount to more than \$50,000.